

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
Second Regular Session  
2008

# HOUSE BILL 2723

## AN ACT

AMENDING SECTION 48-707, ARIZONA REVISED STATUTES; AMENDING TITLE 48, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 48-707.01; AMENDING SECTION 48-709, ARIZONA REVISED STATUTES; AMENDING TITLE 48, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 48-726 AND 48-727; RELATING TO SPECIAL DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 48-707, Arizona Revised Statutes, is amended to  
3 read:

4 48-707. Notice and conduct of elections; waiver

5 A. Any election under this article shall be a nonpartisan election  
6 called by posting notices in three public places within the boundaries of the  
7 district not less than twenty days before the election. Notice shall also be  
8 published in a newspaper of general circulation in the municipality or county  
9 or if there is no newspaper so circulated in the municipality in a newspaper  
10 of general circulation in the county in which the municipality is located  
11 once a week for two consecutive weeks before the election. The notice shall  
12 state:

13 1. The place of holding the election.

14 2. The hours during the day, not less than six, in which the polls  
15 will be open.

16 3. If it is a formation election, the boundaries of the proposed  
17 district.

18 4. If it is a bond election, the amount of bonds to be authorized for  
19 the district, the maximum rate of interest to be borne on the bonds, the  
20 maximum term of the bonds, not exceeding twenty-five years, and the purposes  
21 for which the monies raised will be used.

22 5. If it is an ad valorem tax levy election pursuant to section  
23 48-723, the maximum tax rate per one hundred dollars of assessed valuation to  
24 be imposed, the purposes for which the monies raised will be used and the  
25 existing maximum tax rate, if any.

26 6. That a general plan is on file with the clerk.

27 B. The district board or the governing body, as applicable, shall  
28 determine the date of the election and the polling places for the election  
29 and may consolidate county precincts. For other than a formation election  
30 pursuant to section 48-705, subsection B, and an election held pursuant to  
31 subsection G of this section, precinct registers shall be used. The county  
32 recorder shall submit precinct registers on the request of the clerk, and if  
33 the district includes land lying partly in and partly out of any county  
34 election precinct, the precinct registers may contain the names of all  
35 registered voters in the precinct and the election boards at those precincts  
36 shall require that a prospective elector execute an affidavit stating that  
37 the elector is also a qualified elector of the district. For formation  
38 elections and elections held pursuant to subsection G of this section, a  
39 prospective elector shall execute an affidavit stating that the elector is  
40 the owner of land in the proposed district and is a qualified elector of this  
41 state or otherwise qualified to vote pursuant to section 48-3043 and stating  
42 the area of land in acres owned by the elector. Election board members may  
43 administer oaths or take all affirmations for these purposes. A community  
44 facilities district election held pursuant to this article is not subject to  
45 title 16, chapter 2, article 3.

1 C. Except as otherwise provided by this article, the election shall  
2 comply with the general election laws of this state, except that the words to  
3 appear on the ballots shall be for a formation election "district, yes" and  
4 "district, no", for a bond election "bonds, yes" and "bonds, no", for a tax  
5 election if no tax is in place "tax, yes" and "tax, no" and for a tax  
6 election to change an existing maximum or eliminate an existing tax "tax  
7 change, yes" and "tax change, no". The returns of election shall be made to  
8 the governing body or, if after formation, to the district board.

9 D. Within fourteen days after an election, the governing body, or if  
10 after formation, the district board, shall meet and canvass the returns, and  
11 if a majority of the votes cast at the election is in favor of formation,  
12 issuing the bonds, imposing the tax or changing the tax, the governing body  
13 or the district board, as appropriate, shall enter that fact on its minutes.  
14 The canvass may be continued from time to time. Failure of a majority to  
15 vote in favor of the matter submitted does not prejudice the submission of  
16 the same or similar matters at a later election.

17 E. If a person listed on the assessment roll is no longer the owner of  
18 land in the district and the name of the successor owner becomes known and is  
19 verified by recorded deed or other similar evidence of transfer of ownership,  
20 the successor owner is deemed to be the owner for the purposes of this  
21 article.

22 F. Notwithstanding any other provision of this article, if a petition  
23 for formation is signed by owners of all of the land in the district  
24 described in the petition and is approved by the municipality or county, the  
25 municipality or county may waive any or all requirements of posting,  
26 publication, mailing, notice, hearing and landowner election. On receipt of  
27 such a petition, and after approval by an election of resident electors, if  
28 any, the municipality or county shall declare the district formed without  
29 being required to comply with the provisions of this article for posting,  
30 publication, mailing, notice, hearing or landowner election.

31 G. Notwithstanding any other provision of this article, if no person  
32 has registered to vote within the district within fifty days immediately  
33 preceding any scheduled election date, any election required to be held  
34 pursuant to this article shall be held with the vote by the owners of land  
35 within the district who are qualified electors of this state and other  
36 landowners according to section 48-3043. Each owner has the number of votes  
37 or portion of votes equal to the number of acres or portion of acres rounded  
38 upward to the nearest one-fifth of an acre owned in the district by that  
39 person.

40 H. EXCEPT AS PROVIDED IN SECTION 48-707.01, for a district that is  
41 proposed to be formed by a county, a district may be formed only if a  
42 petition for formation is signed by the owners of all of the land in the  
43 district that is described in the petition and if it is approved by the  
44 county. If the district is proposed to be formed in a county island, as  
45 defined in section 11-251.12, in existence ~~the effective date of this~~

1 ~~amendment to this section~~ SEPTEMBER 21, 2006, the petition must be signed by  
2 the owners of all of the land in the district that is described in the  
3 petition and the district must be approved by the county and by the  
4 municipality or all municipalities that form the county island. If the  
5 petition is signed by the owners of all of the land in the district, the  
6 county may waive any or all requirements of posting, publication, mailing,  
7 notice, hearing and landowner election. On receipt of such a petition, and  
8 after approval by an election of one hundred per cent of the resident  
9 electors, if any, the county shall declare the district formed without being  
10 required to comply with the provisions of this article for posting.

11 Sec. 2. Title 48, chapter 4, article 6, Arizona Revised Statutes, is  
12 amended by adding section 48-707.01, to read:

13 48-707.01. Community formed districts

14 A. NOTWITHSTANDING THE DISTRICT FORMATION PROCESS OF THIS ARTICLE,  
15 WHEN TWO-THIRDS OF THE QUALIFIED ELECTORS RESIDING IN A COMMUNITY WITHIN TEN  
16 MILES OF THE BOUNDARY OF A NATIONAL PARK OR MONUMENT THAT CONTAINS A  
17 POPULATION OF THREE HUNDRED FIFTY OR MORE PERSONS PETITION THE BOARD OF  
18 SUPERVISORS, SETTING FORTH THE METES AND BOUNDS OF THE COMMUNITY, AND PRAYING  
19 FOR THE FORMATION OF A DISTRICT, AND THE BOARD IS SATISFIED THAT TWO-THIRDS  
20 OF THE QUALIFIED ELECTORS RESIDING IN THE COMMUNITY HAVE SIGNED THE PETITION,  
21 IT SHALL, BY AN ORDER ENTERED OF RECORD, ORDER THE FORMATION.

22 B. NOTWITHSTANDING THE DISTRICT FORMATION PROCESS OF THIS ARTICLE,  
23 WHEN TEN PER CENT OF THE QUALIFIED ELECTORS RESIDING IN A COMMUNITY WITHIN  
24 TEN MILES OF THE BOUNDARY OF A NATIONAL PARK OR MONUMENT THAT CONTAINS A  
25 POPULATION OF THREE HUNDRED FIFTY OR MORE PERSONS PETITION THE BOARD OF  
26 SUPERVISORS IN THE MANNER PRESCRIBED IN SUBSECTION A OF THIS SECTION, PRAYING  
27 FOR THE CALLING OF AN ELECTION FOR THE PURPOSE PROVIDED IN THIS SECTION, THE  
28 BOARD SHALL WITHIN SIXTY DAYS AFTER FILING THE PETITION CALL THE ELECTION,  
29 AND THE ELECTION SHALL TAKE PLACE ON A DATE PRESCRIBED BY SECTION 16-204 BUT  
30 NOT MORE THAN ONE HUNDRED EIGHTY DAYS AFTER THE PETITION IS FILED, EXCEPT  
31 THAT NO SUCH ELECTION SHALL BE CALLED WITHIN TWELVE MONTHS FROM THE DATE OF A  
32 PREVIOUS ELECTION FOR THE FORMATION OF A DISTRICT OF SUBSTANTIALLY THE SAME  
33 TERRITORY. ONLY QUALIFIED ELECTORS OF THE COMMUNITY SHALL VOTE ON THIS  
34 QUESTION. IF A MAJORITY OF QUALIFIED ELECTORS VOTING THEREON VOTES FOR THE  
35 FORMATION OF A DISTRICT, THEN THE BOARD SHALL, BY AN ORDER ENTERED OF RECORD,  
36 ORDER THE FORMATION.

37 C. PRIOR TO OBTAINING ANY SIGNATURES ON A PETITION REQUIRED BY  
38 SUBSECTION A OR B OF THIS SECTION, A COPY OF SUCH PETITION SHALL BE FILED  
39 WITH THE COUNTY RECORDER OR, IN A COUNTY HAVING AN ELECTIONS DEPARTMENT, WITH  
40 THE COUNTY ELECTIONS DEPARTMENT. THE PETITION SHALL STATE ITS PURPOSE  
41 CLEARLY AND CONCISELY AND SHALL BE IN THE FORM AND SIGNED AND VERIFIED AS  
42 GENERALLY PROVIDED FOR INITIATIVE PETITIONS. PETITIONERS SHALL HAVE ONE  
43 HUNDRED EIGHTY DAYS FROM THE DATE OF SUCH FILING TO OBTAIN THE REQUIRED  
44 NUMBER OF SIGNATURES.

1 D. BY WHICHEVER PROCEEDING THE DISTRICT FORMATION IS ACCOMPLISHED, THE  
2 ORDER SHALL DESIGNATE ITS METES AND BOUNDS. THE BOARD OF SUPERVISORS SHALL  
3 APPOINT FIVE MEMBERS WHO RESIDE WITHIN THE DISTRICT TO SERVE AS THE DISTRICT  
4 BOARD. EACH APPOINTED DIRECTOR SHALL SERVE FOR A TERM OF FOUR YEARS, EXCEPT  
5 THAT THE DIRECTORS INITIALLY APPOINTED BY THE GOVERNING BODY IN THE  
6 RESOLUTION SHALL SERVE FOR A TERM OF ONE YEAR, AT THE NEXT GENERAL ELECTION  
7 FOLLOWING THE EXPIRATION OF THE TERMS OF THE APPOINTED DIRECTORS, THE  
8 QUALIFIED ELECTORS OF THE DISTRICT SHALL ELECT REPLACEMENT DIRECTORS WHO  
9 RESIDE WITHIN THE DISTRICT. IF A VACANCY OCCURS ON THE DISTRICT BOARD  
10 BECAUSE OF DEATH, RESIGNATION OR INABILITY OF THE DIRECTOR TO DISCHARGE THE  
11 DUTIES OF DIRECTOR, THE VACANCY SHALL BE FILLED BY APPOINTMENT MADE BY THE  
12 GOVERNING BODY. A DIRECTOR APPOINTED BY THE GOVERNING BODY SHALL HOLD OFFICE  
13 FOR THE REMAINDER OF THE UNEXPIRED TERM UNTIL HIS SUCCESSOR IS ELECTED. A  
14 DIRECTOR SHALL NOT BE AN ELECTED OFFICIAL OF THE COUNTY. THE MEMBERS OF THE  
15 DISTRICT BOARD ARE NOT ELIGIBLE TO RECEIVE COMPENSATION FOR THEIR SERVICES AS  
16 MEMBERS OF THE DISTRICT BOARD.

17 E. FOR THE PURPOSES OF THIS SECTION, "COMMUNITY" MEANS A LOCALITY IN  
18 WHICH A BODY OF PEOPLE RESIDES IN MORE OR LESS PROXIMITY HAVING COMMON  
19 INTERESTS IN SUCH SERVICES AS PUBLIC HEALTH, PUBLIC PROTECTION, FIRE  
20 PROTECTION AND WATER WHICH BIND TOGETHER THE PEOPLE OF THE AREA, AND WHERE  
21 THE PEOPLE ARE ACQUAINTED AND MINGLE IN BUSINESS, SOCIAL, EDUCATIONAL AND  
22 RECREATIONAL ACTIVITIES.

23 F. AN AREA TO BE FORMED INTO A DISTRICT SHALL NOT INCLUDE LARGE AREAS  
24 OF UNINHABITED, RURAL OR FARM LANDS, BUT IT SHALL BE URBAN IN NATURE.

25 G. A DISTRICT FORMED PURSUANT TO THIS SECTION SHALL HAVE ALL OF THE  
26 POWERS OF A DISTRICT FORMED PURSUANT TO THIS ARTICLE EXCEPT FOR THE POWER TO  
27 LEVY AN AD VALOREM TAX OR A SPECIAL ASSESSMENT. A DISTRICT FORMED PURSUANT  
28 TO THIS SECTION SHALL HAVE THE POWER TO ENACT AND LEVY AN EXCISE TAX PURSUANT  
29 TO SECTION 48-726.

30 Sec. 3. Section 48-709, Arizona Revised Statutes, is amended to read:  
31 48-709. Powers of a community facilities district

32 A. In addition to the powers otherwise granted to a district pursuant  
33 to this article, a district, ~~may~~ to further the general plan, MAY:

34 1. Enter into contracts and expend monies for any public  
35 infrastructure purpose with respect to the district.

36 2. Enter into intergovernmental agreements as prescribed in title 11,  
37 chapter 7, article 3 for the planning, design, inspection, ownership,  
38 control, maintenance, operation or repair of public infrastructure or the  
39 provision of enhanced municipal services by the municipality in the district.

40 3. Sell, lease or otherwise dispose of district property if the sale,  
41 lease or conveyance is not a violation of the terms of any contract or bond  
42 resolution of the district.

43 4. Reimburse the municipality for providing enhanced municipal  
44 services in the district.

- 1           5. Operate, maintain and repair public infrastructure.
- 2           6. Establish, charge and collect user fees, rates or charges for the
- 3 use of any public infrastructure or service.
- 4           7. Employ staff, counsel and consultants.
- 5           8. Reimburse the municipality or county for staff and consultant
- 6 services and support facilities supplied by the municipality or county.
- 7           9. Accept gifts or grants and incur and repay loans for any public
- 8 infrastructure purpose.
- 9           10. Enter into agreements with landowners and the municipality or
- 10 county for the collection of fees and charges from landowners for public
- 11 infrastructure purposes, the advance of monies by landowners for public
- 12 infrastructure purposes or the granting of real property by the landowner for
- 13 public infrastructure purposes.
- 14           11. By resolution, levy and assess the costs of any public
- 15 infrastructure purpose on any land benefited in the district.
- 16           12. Pay the financial, legal and administrative costs of the district.
- 17           13. Enter into contracts, agreements and trust indentures to obtain
- 18 credit enhancement or liquidity support for its bonds and process the
- 19 issuance, registration, transfer and payment of its bonds and the
- 20 disbursement and investment of proceeds of the bonds.
- 21           14. With the consent of the governing body of the municipality or
- 22 county which formed the district, enter into agreements with persons outside
- 23 of the district to provide services to persons and property outside of the
- 24 district.
- 25           15. Use public easements and rights-of-way in or across public
- 26 property, roadways, highways, streets or other thoroughfares and other public
- 27 easements and rights-of-way, whether in or out of the geographical limits of
- 28 the district, the municipality or the county.
- 29           16. FOR A DISTRICT FORMED PURSUANT TO SECTION 48-707.01 ONLY, LEVY AN
- 30 EXCISE TAX.
- 31           B. This article does not authorize:
- 32           1. A district to acquire, construct, operate or maintain an electric
- 33 generation or distribution system or natural gas distribution system without
- 34 the written consent of any affected public service corporation, electric
- 35 cooperative, agricultural improvement or power district or other district
- 36 described in article XIII, section 7, Constitution of Arizona, the service
- 37 area of which encompasses all or part of the district, if that entity is
- 38 providing or is capable of adequately providing electrical utility service or
- 39 natural gas utility service in the district.
- 40           2. A district to provide service outside its boundaries without the
- 41 written consent of any affected public service corporation, electric
- 42 cooperative, agricultural improvement or power district or other district
- 43 described in article XIII, section 7, Constitution of Arizona, with a service
- 44 area that lies outside of the district, if that entity is providing or is

1 capable of adequately providing electrical utility service or natural gas  
2 utility service in the area that the district proposes to serve.

3 C. If a district is granted written consent pursuant to this section,  
4 the district shall provide a copy to the governor, the president of the  
5 senate, the speaker of the house of representatives and each commissioner of  
6 the Arizona corporation commission no later than thirty days after consent is  
7 granted.

8 D. In connection with any power authorized by statute, the district  
9 may:

10 1. Contract.

11 2. Enter into intergovernmental agreements pursuant to title 11,  
12 chapter 7, article 3.

13 3. Adopt and change a seal.

14 4. Sue and be sued.

15 5. Enter into development agreements, as defined in section 9-500.05.

16 6. Exercise the same right and power of eminent domain as a public  
17 service corporation pursuant to title 12, chapter 8, articles 2 and 3 to  
18 acquire any property or right-of-way, except political subdivision, county,  
19 state or federal property, for any public infrastructure purpose.

20 E. A district which proposes to provide domestic water service in the  
21 certificated area of a public service corporation serving domestic water  
22 shall provide just compensation to the public service corporation pursuant to  
23 section 9-516.

24 F. Public infrastructure other than personalty may be located only in  
25 or on lands owned by the state, a county, a municipality or the district or  
26 dedicated or otherwise designated as public roadways, highways, streets,  
27 thoroughfares, easements or rights-of-way, whether in or out of the district  
28 or the municipality. Personalty may be used only for purposes authorized by  
29 the district board.

30 G. An agreement pursuant to subsection A, paragraph 10 of this section  
31 may include agreements to repay all or part of such advances, fees and  
32 charges from the proceeds of bonds if issued or from advances, fees and  
33 charges collected from other landowners or users or those having a right to  
34 use any public infrastructure. A person does not have authority to compel  
35 the issuance or sale of the bonds of the district or the exercise of any  
36 taxing power of the district to make repayment under any agreement.

37 H. A district shall not contract with a municipality for enhanced  
38 municipal services unless the area for which the services are to be provided  
39 is designated by the municipality as a slum or blighted area pursuant to  
40 title 36, chapter 12, or an urban core business district of the municipality  
41 determined by formal resolution of the municipality to be in need of enhanced  
42 municipal services to encourage or preserve commercial development in the  
43 area.

1 I. Notwithstanding title 34 or article 2 of this chapter, the district  
2 at the option of the district board may enter into contracts for the  
3 performance of district projects with landowners in the district after  
4 calling for bids but before publishing notice of the award of a contract if  
5 all of the following conditions are met:

6 1. The landowner or landowners own three-fourths or more of the total  
7 land area of the district.

8 2. The landowner or landowners contract to perform the work at a cost  
9 which does not exceed the cost specified in the bid of the bidder who would  
10 have been awarded that bid.

11 3. The work for which the contract was let is to be financed pursuant  
12 to this article.

13 4. All contracts and work executed pursuant to this section are  
14 subject to those rules as the district board may prescribe.

15 Sec. 4. Title 48, chapter 4, article 6, Arizona Revised Statutes, is  
16 amended by adding sections 48-726 and 48-727, to read:

17 48-726. Excise tax; certain districts

18 A. THE BOARD OF DIRECTORS OF A DISTRICT FORMED PURSUANT TO SECTION  
19 48-707.01 MAY LEVY AN EXCISE TAX IN THE DISTRICT. THE BOARD OF DIRECTORS OF  
20 THE DISTRICT BY RESOLUTION MAY LEVY, AND IF LEVIED THE DEPARTMENT OF REVENUE  
21 SHALL COLLECT, AN EXCISE TAX BEGINNING JANUARY 1 OR JULY 1, WHICHEVER DATE  
22 FIRST OCCURS AT LEAST THREE MONTHS AFTER THE DISTRICT ADOPTS THE RESOLUTION  
23 APPROVING THE TAX LEVY. THE DISTRICT MAY LEVY AN EXCISE TAX ON BUSINESS  
24 ACTIVITY IN THE DISTRICT THAT IS SUBJECT TO TAXATION UNDER TITLE 42,  
25 CHAPTER 5. THE TAX SHALL BE LEVIED AT A RATE OF NO MORE THAN FIVE PER CENT  
26 OF THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE BUSINESS  
27 ACTIVITY.

28 B. AT THE END OF EACH MONTH THE STATE TREASURER SHALL TRANSMIT THE NET  
29 REVENUES COLLECTED PURSUANT TO THIS SECTION TO THE DISTRICT TREASURER WHO  
30 SHALL DEPOSIT THE REVENUES IN THE DISTRICT'S GENERAL FUND.

31 C. UNLESS THE CONTEXT OTHERWISE REQUIRES, SECTION 42-6102 GOVERNS THE  
32 ADMINISTRATION OF THE TAX IMPOSED PURSUANT TO THIS SECTION.

33 D. THE DISTRICT'S BOARD OF DIRECTORS MAY USE THE EXCISE TAXES RECEIVED  
34 PURSUANT TO THIS SECTION FOR THE CONSTRUCTION, OPERATION AND MAINTENANCE OF  
35 PUBLIC INFRASTRUCTURE ACQUIRED OR CONSTRUCTED BY THE DISTRICT AND MAY PLEDGE  
36 SUCH TAXES TO THE PAYMENT OF DISTRICT BONDS ISSUED PURSUANT TO SECTION  
37 48-727.

38 48-727. Bonds payable from excise taxes

39 A. THE BOARD OF DIRECTORS OF A DISTRICT FORMED PURSUANT TO SECTION  
40 48-707.01 IS DESIGNATED AS THE BODY HAVING SOLE AND EXCLUSIVE POWER TO  
41 AUTHORIZE AND ISSUE BONDS OR INCUR LONG-TERM OBLIGATIONS PAYABLE IN WHOLE OR  
42 IN PART FROM MONIES COLLECTED FROM THE EXCISE TAX AUTHORIZED PURSUANT TO  
43 SECTION 48-726. THE BOARD MAY:



1           1.    ISSUE NEGOTIABLE BONDS PAYABLE FROM THE DISTRICT'S EXCISE TAXES IN  
2    THE PRINCIPAL AMOUNT THAT IN THE OPINION OF THE BOARD IS NECESSARY TO PROVIDE  
3    SUFFICIENT MONIES FOR CONSTRUCTION OR ACQUISITION OF PUBLIC INFRASTRUCTURE,  
4    TO ESTABLISH RESERVES TO SECURE THE BONDS AND TO PROVIDE FOR THE PAYMENT OF  
5    ALL OTHER EXPENDITURES INCIDENTAL, NECESSARY OR CONVENIENT TO CARRY OUT THESE  
6    PURPOSES.

7           2.    REFUND ANY BONDS ISSUED BY THE BOARD AND PAYABLE FROM EXCISE TAXES  
8    OF THE DISTRICT AS AUTHORIZED IN THIS SECTION BY THE ISSUANCE OF REFUNDING  
9    BONDS, WHETHER THE BONDS TO BE REFUNDED HAVE OR HAVE NOT MATURED. PROCEEDS  
10   OF REFUNDING BONDS MAY BE USED TO PAY PRINCIPAL, INTEREST, REDEMPTION  
11   PREMIUMS AND COSTS OF ISSUANCE AND TO PURCHASE CREDIT ENHANCEMENT ON  
12   REFUNDING BONDS.

13           B.   THE BONDS AUTHORIZED BY THIS SECTION SHALL:

14           1.   BE AUTHORIZED BY RESOLUTION OF THE BOARD.

15           2.   BEAR SUCH DATE OR DATES AND SHALL MATURE AT SUCH TIME OR TIMES, NOT  
16   EXCEEDING THE EARLIER OF FORTY YEARS FROM THEIR RESPECTIVE DATES OR THE DATE  
17   THE DISTRICT'S EXCISE TAXES SECURING THE BONDS ARE SCHEDULED TO CEASE, AS THE  
18   RESOLUTION AUTHORIZING THE BONDS MAY PROVIDE.

19           3.   BEAR INTEREST AT SUCH RATE OR RATES, INCLUDING RATES THAT MAY VARY  
20   FROM TIME TO TIME, PURSUANT TO PROVISIONS ESTABLISHED BY THE BOARD IN THE  
21   AUTHORIZING RESOLUTION.

22           4.   BE IN THE DENOMINATION, BE IN THE FORM, BE EXECUTED IN THE MANNER  
23   AND BE PAYABLE AS TO PRINCIPAL, INTEREST OR PREMIUM IN THE MEDIUM OF PAYMENT  
24   AT THE OFFICE OF THE DISTRICT OR AT SUCH OTHER PLACE AS THE BOARD PROVIDES,  
25   EITHER BY AUTOMATIC DEPOSIT, WIRE TRANSFER OR MAIL. THE BONDS MAY BE ISSUED  
26   AS BOOK ENTRY BONDS WITH PAYMENTS OF PRINCIPAL, INTEREST AND REDEMPTION  
27   PREMIUMS PAYABLE THROUGH A DEPOSITORY TO THE BENEFICIAL OWNERS OF THE BONDS,  
28   EITHER DIRECTLY OR THROUGH INTERMEDIARIES.

29           5.   BE SUBJECT TO SUCH TERMS OF REDEMPTION, AT THE OPTION OF EITHER THE  
30   BOARD OR THE OWNER OF THE BOND, AS THE RESOLUTION AUTHORIZING THE BONDS MAY  
31   PROVIDE.

32           6.   BE PAYABLE FROM THE EXCISE TAXES TO BE RECEIVED BY THE DISTRICT.  
33   THE DISTRICT BY RESOLUTION AUTHORIZING THE ISSUANCE OF THE BONDS MAY PLEDGE  
34   ALL OR ANY PART OF SUCH EXCISE TAXES TO THE PAYMENT OF PRINCIPAL, INTEREST,  
35   RESERVE FUND CONTRIBUTIONS AND REDEMPTION PREMIUMS ON THE BONDS. THE  
36   RESOLUTION MAY ASSIGN ALL OR ANY PORTION OF THE DISTRICT'S EXCISE TAXES TO A  
37   TRUSTEE, PAYING AGENT OR FISCAL AGENT. IF AN ASSIGNMENT IS MADE, THE  
38   DISTRICT MAY DIRECT THE DEPARTMENT OF REVENUE TO DEDUCT AN EQUAL AMOUNT EACH  
39   MONTH FROM THE EXCISE TAX REVENUES IT COLLECTS FOR THE DISTRICT AND PAY THAT  
40   AMOUNT DIRECTLY TO THE BOND OWNERS, TRUSTEE, PAYING AGENT OR FISCAL AGENT  
41   DESIGNATED BY THE DISTRICT BOARD.

42           C.   THE BONDS MAY BE SOLD AT EITHER PUBLIC OR PRIVATE SALE, ABOVE, AT  
43   OR BELOW PAR AND ON SUCH TERMS AS THE BOARD MAY DETERMINE. BONDS TO REFUND  
44   OTHER BONDS MAY BE EXCHANGED WITH THE HOLDERS OF BONDS BEING REFUNDED ON SUCH  
45   TERMS AS THE BOARD DETERMINES.

1 D. THE BOARD BY RESOLUTION MAY ALSO:

2 1. SET THE PRIORITY OF LIEN OR CLAIM OF ANY SERIES OR ISSUE OF BONDS  
3 AGAINST ANY OTHER SERIES OR ISSUES, AND THE BOARD SHALL NOT ABROGATE OR  
4 CHANGE THE PRIORITY UNLESS THE AFFECTED SERIES OR ISSUES ARE TO BE FULLY PAID  
5 OR FULLY PROVIDED FOR BY THE ISSUANCE OF REFUNDING BONDS OR THE HOLDERS OF  
6 THE BONDS AFFECTED AGREE IN WRITING TO THE CHANGE.

7 2. SET ASIDE, REGULATE AND DISPOSE OF RESERVES AND SINKING FUNDS.

8 3. PROVIDE THAT SUFFICIENT AMOUNTS OF THE PROCEEDS FROM THE SALE OF  
9 THE BONDS MAY BE USED TO FULLY OR PARTLY FUND ANY AND ALL RESERVES OR SINKING  
10 FUNDS SET UP BY THE RESOLUTION AUTHORIZING THE BONDS.

11 4. PRESCRIBE THE PROCEDURE, IF ANY, BY WHICH THE TERMS OF A CONTRACT  
12 WITH BONDHOLDERS MAY BE AMENDED OR ABROGATED, THE AMOUNT OF BONDS THE HOLDERS  
13 OF WHICH MUST CONSENT TO AMENDMENTS AND THE MANNER IN WHICH THE CONSENT MAY  
14 BE GIVEN.

15 5. PROVIDE FOR PAYMENT FROM THE PROCEEDS OF THE SALE OF THE BONDS OF  
16 ALL LEGAL AND FINANCIAL EXPENSES INCURRED BY THE BOARD IN THE ISSUANCE, SALE,  
17 DELIVERY AND PAYMENT OF THE BONDS.

18 6. DO ANY OTHER MATTERS, OF LIKE OR DIFFERENT CHARACTER, THAT MAY IN  
19 ANY WAY AFFECT THE SECURITY AND PROTECTION OF THE BONDS.

20 7. EMPLOY TRUSTEES, PAYING AGENTS, FISCAL AGENTS, FINANCIAL  
21 CONSULTANTS, FEASIBILITY CONSULTANTS, ATTORNEYS AND OTHER EXPERTS IN THEIR  
22 FIELDS TO AID IN THE SALE AND ADMINISTRATION OF THE BONDS.

23 E. ANY PLEDGE MADE PURSUANT TO THIS SECTION IS VALID AND BINDING FROM  
24 THE TIME THE PLEDGE IS MADE. THE MONIES PLEDGED PURSUANT TO THIS SECTION,  
25 WHEN PLACED IN THE FUND OR ACCOUNT CREATED TO SERVICE THE BONDS OR PROVIDE  
26 RESERVES OR SINKING FUNDS FOR THE BONDS, ARE IMMEDIATELY SUBJECT TO THE LIEN  
27 OF THE PLEDGE WITHOUT ANY FUTURE PHYSICAL DELIVERY OR FURTHER ACT OR  
28 RECORDING. A LIEN OF ANY PLEDGE IS VALID OR BINDING AGAINST ALL PARTIES  
29 HAVING CLAIMS OF ANY KIND IN TORT, CONTRACT OR OTHERWISE AGAINST THE  
30 DISTRICT, REGARDLESS OF WHETHER THE PARTIES HAVE NOTICE. WHEN PLACED IN THE  
31 RECORDS OF THE BOARD, THE OFFICIAL RESOLUTION, THE TRUST INDENTURE OR ANY  
32 INSTRUMENT BY WHICH THE PLEDGE IS CREATED IS NOTICE TO ALL CONCERNED OF THE  
33 CREATION OF THE PLEDGE, AND THESE INSTRUMENTS ARE NOT REQUIRED TO BE RECORDED  
34 IN ANY OTHER PLACE. A FILING OR RECORDING OF THE RESOLUTION OF THE BOARD  
35 CREATING OR EXTENDING THE LIEN OR PLEDGE IN ORDER FOR THE PLEDGE OR LIEN TO  
36 BECOME FULLY EFFECTIVE IS NOT REQUIRED IN ANY OFFICE OTHER THAN IN THE OFFICE  
37 OF THE BOARD.

38 F. THE MEMBERS OF THE BOARD OR ANY PERSON EXECUTING THE BONDS ARE NOT  
39 PERSONALLY LIABLE FOR THE PAYMENT OF THE BONDS. THE BONDS ARE VALID AND  
40 BINDING OBLIGATIONS OF THE DISTRICT NOTWITHSTANDING THE FACT THAT BEFORE THE  
41 DELIVERY OF THE BONDS ANY OF THE OFFICERS WHOSE SIGNATURES APPEAR ON THE  
42 BONDS CEASE TO BE OFFICERS OF THE DISTRICT. FROM AND AFTER THE SALE AND  
43 DELIVERY OF THE BONDS, THE BONDS ARE INCONTESTABLE.

1           G. THIS STATE PLEDGES TO AND AGREES WITH THE HOLDERS OF THE BONDS THAT  
2 THE STATE WILL NOT LIMIT, ALTER, REPEAL OR REVOKE THE DISTRICT'S EXCISE  
3 TAXES, OR TAKE ANY ACTION THAT IN ANY WAY ADVERSELY AFFECTS THE RIGHTS OF THE  
4 HOLDERS OF THE BONDS, LIMITS OR ALTERS THE AUTHORITY OF THE BOARD TO LEVY THE  
5 EXCISE TAX TO PREVENT THE IMPOSITION OF SUFFICIENT EXCISE TAXES TO FULFILL  
6 THE TERMS OF THE BONDS, OR IN ANY WAY IMPAIR THE RIGHTS AND REMEDIES OF THE  
7 BONDHOLDERS, WHILE ANY BONDS ARE OUTSTANDING. THE DISTRICT BOARD AS AGENT  
8 FOR THIS STATE MAY INCLUDE THIS PLEDGE AND UNDERTAKING BY THIS STATE IN ITS  
9 RESOLUTIONS AND INDENTURES SECURING ITS BONDS.

10          H. THE BONDS ARE OBLIGATIONS OF THE DISTRICT ISSUING THE BONDS, ARE  
11 PAYABLE ONLY PURSUANT TO THE TERMS OF THE BONDS, ARE NOT OBLIGATIONS THAT ARE  
12 GENERAL, SPECIAL OR OTHERWISE OF THIS STATE OR THE COUNTY IN WHICH THE  
13 DISTRICT IS LOCATED, ARE NOT A LEGAL DEBT OF THIS STATE OR OF THE COUNTY IN  
14 WHICH THE DISTRICT IS LOCATED AND ARE NOT ENFORCEABLE AGAINST THIS STATE OR  
15 THE COUNTY OUT OF ANY MONIES OTHER THAN THE INCOME AND REVENUE PLEDGED AND  
16 ASSIGNED TO OR IN TRUST FOR THE BENEFIT OF THE OWNERS OF THE BONDS.